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PREFERRED ENTITIES ANNEX

(Merrill Lynch version)

This Preferred Entities Annex (this **Preferred Entities Annex**), if specified as an Additional Annex in a Confirmation, shall be deemed to amend, supplement and form part of the Standard Terms Supplement (as defined in the relevant Confirmation) (the **Standard Terms Supplement**) for purposes of the relevant Transaction. Capitalised terms used but not defined in this Preferred Entities Annex shall have the meaning given to such terms in the Standard Terms Supplement or the relevant Confirmation. In the event of any inconsistency between the Standard Terms Supplement and this Preferred Entities Annex, this Preferred Entities Annex will govern. In the event of any inconsistency between this Preferred Entities Annex and the relevant Confirmation, the relevant Confirmation will govern. In the event of any inconsistency between this Preferred Entities Annex and any other Additional Annex, such inconsistency shall be resolved by the Calculation Agent.

The definition of "Reference Entity" in the Standard Terms Supplement shall be deleted in its entirety and replaced by the following definition:

Reference Entity:

Each entity specified as such in the Reference Portfolio and, in each case, any Successor(s) to any of them, *provided* that if an entity is specified in the Reference Portfolio as "Preferred" (a **Preferred Entity**), "Reference Entity" shall be construed to mean any of such Preferred Entity or a Related Trust Preferred Issuer and the Credit Derivatives Definitions shall be interpreted accordingly. A **Related Trust Preferred Issuer** means, in respect of a Preferred Entity, any trust which either issues (a) Preferred Securities (i) the sole assets of which are obligations of such Preferred Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in respect of such Preferred Entity in the relevant annex of Transaction Types, as provider of any Qualifying Guarantee) and (ii) the common securities of which are held directly or indirectly by such Preferred Entity, or an Affiliate thereof, or (b) the Reference Obligation in respect of such Preferred Entity. **Preferred Securities** shall mean any obligation of a Preferred Entity (either directly or as a provider of a Qualifying Affiliate Guarantee, or if All Guarantees is specified as applicable in respect of such Preferred Entity in the relevant annex of Transaction Types, as provider of a Qualifying Guarantee) or of a Related Trust Preferred Issuer of such Preferred Entity, that represents a class of equity ownership which upon liquidation ranks prior to the claims of common stockholders of such Preferred Entity and which, for the avoidance of doubt, shall not be included in the Borrowed Money Obligation Category.

Each Reference Entity has been designated as a particular **Transaction Type** in the Reference Portfolio. The standard terms annexed to the relevant Confirmation in respect of a Transaction Type will

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apply in respect of each Reference Entity that has been designated as such Transaction Type in the Reference Portfolio and any successors to any of them determined pursuant to the terms of the relevant Terminated Transaction, if any; provided that each Settled Entity shall no longer constitute a Reference Entity for purposes of the relevant Transaction notwithstanding the fact that such entity remains listed in the Reference Portfolio.

The definition of "Reference Obligations" in the Standard Terms Supplement shall be deleted in its entirety and replaced by the following definition:

Reference Obligations:

With respect to each Reference Entity, the obligation(s), if any, specified as such in the Reference Portfolio, as applicable, subject to Sections 2.2(d) and 2.30 of the Credit Derivatives Definitions, as modified by the "Successors" provisions below and Paragraph 5.2 (Substitute Reference Obligation) below respectively, *provided* that, in respect of a Preferred Entity, the definition in the Credit Derivatives Definitions of the Obligation Category specified in respect of the relevant Transaction Type pursuant to the relevant annex of Transaction Types shall be deemed to include any obligation that is a Preferred Security in respect of such Preferred Entity, and the Credit Derivatives Definitions shall be interpreted accordingly.

The definition of "Deliverable Obligation Category" in the Standard Terms Supplement shall be deleted in its entirety and replaced by the following definition:

Deliverable Obligation Category:

In respect of a Reference Entity, as specified in respect of the relevant Transaction Type pursuant to the relevant annex of Transaction Types, *provided* that in respect of a Preferred Entity, the definition in the Credit Derivatives Definitions of the Deliverable Obligation Category specified in respect of the relevant Transaction Type pursuant to the relevant annex of Transaction Types shall be deemed to include any obligation that is a Preferred Security in respect of such Preferred Entity and the Credit Derivatives Definitions shall be interpreted accordingly.

The definition of "Protocol" in the Standard Terms Supplement shall be deleted in its entirety and replaced by the following definition:

Protocol:

In respect of a Reference Entity, a protocol or other market standard agreement published by the Sponsor (a) with the object of determining a final price for certain obligations (of the relevant seniority and, with respect to a Restructuring, maturity) of the Reference Entity following the occurrence of a Credit Event in respect of the relevant Reference Entity (b) to which Party A has adhered and (c) the terms of which would permit a party

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that adheres to such protocol or agreement and that is also a party to a Transaction that incorporated by reference this Standard Terms Supplement to treat such Transaction as an "auction-linked cash settled transaction" for purposes of such party's "market position" under such protocol or agreement, however described in the relevant protocol or agreement, *provided* that no Protocol shall exist for purposes of the relevant Transaction with respect to any Preferred Entity.